HOUSING MARKET OUTLOOK

Trois-Rivières

Canada Mortgage and Housing Corporation

www.cmhc.ca

FALL-WINTER 2005

HIGHLIGHTS

Housing starts to decline slightly in 2006

- Housing activity will remain strong in 2005 and decrease slightly in 2006.

- Rental housing construction will stay vigorous in 2005, before falling more significantly in 2006.

- The freehold home construction market* will gradually slow down over the course of 2005 (475 units) and 2006 (430 units).

- Mortgage rates will remain at low levels in 2005, before rising progressively in 2006.

- The resale market will still be robust in 2005, with some 790 MLS®** transactions anticipated. The pace will slow down next year, when 750 properties will change hands.

- The rental housing vacancy rate will go back up slightly in 2005 and 2006, after reaching a low point in 2004.

- After a lacklustre year for job creation in 2004, growth will resume in 2005, and prospects will remain favourable until the end of 2006.

IN THIS ISSUE

1 HIGHLIGHTS

2 Housing starts to decline slightly in 2005 and 2006

2 Slowdown in single-family home building in sight for 2005 and 2006

2 Economic outlook

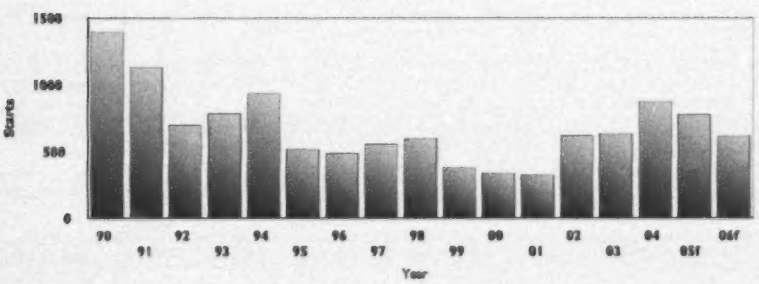
3 Single-family home sales expected to fall slightly in 2005 and 2006

3 Mortgage rates to rise moderately in 2005 and 2006

4 Forecast summary

Residential Construction

Trois-Rivières Census Metropolitan Area



f : CMHC forecast
Source : CMHC

* Freehold homes include detached, semi-detached and row houses, as well as duplexes.

** Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.

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HOME TO CANADIANS

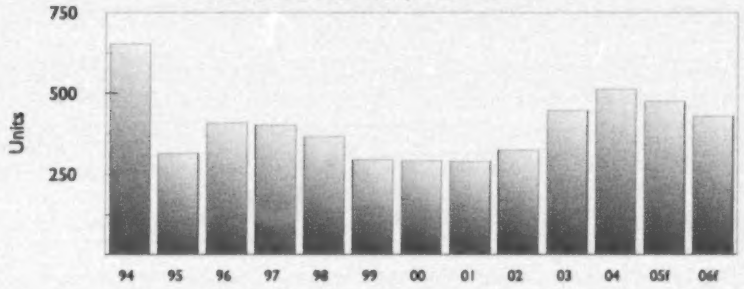
Housing starts to decline slightly in 2005 and 2006

Activity on residential job sites in the Trois-Rivières census metropolitan area (CMA) is still showing signs of vigour and will remain strong in 2005. While the volume of starts will be slightly below the record level reached in 2004, construction will continue at a steady pace this year. Production should tend to slow down more and more, however, throughout 2006.

A combination of factors will support residential construction over the coming year, including the low mortgage rates, a continued relatively low vacancy rate and a persistently tight resale market with few new properties for sale. Along with these conditions, the significant increase in the price of existing homes observed since the beginning of the decade will have a catalytic effect, inciting some households to turn to the construction of a new home rather than buy an existing property. However, the decline in employment recorded in 2004 will have a negative impact on residential construction this year. As a result, the Trois-Rivières CMA should post 775 housing starts in 2005, down by 11 per cent from 2004, and 615 starts in 2006, for a decrease of 21 per cent in relation to 2005.

The year 2004 was characterized by a significant number of rental housing starts, and the same scenario seems to be developing for 2005. Prompted by the low vacancy rate registered in the area in 2004, several developers ventured into this type of construction. The arrival on the market of these new rental units will therefore meet part of the demand, and a significant decline in the construction of this type of housing is anticipated in 2006. A large part of the decrease in housing starts in 2006 will therefore be attributable to this decline. Following the increase in the supply of rental units on the market, the vacancy rate should rise over the coming years, reaching 1.6 per cent in 2005 and 2.0 per cent in 2006.

Freehold Housing Starts
Trois-Rivières Census Metropolitan Area



Source: CMHC

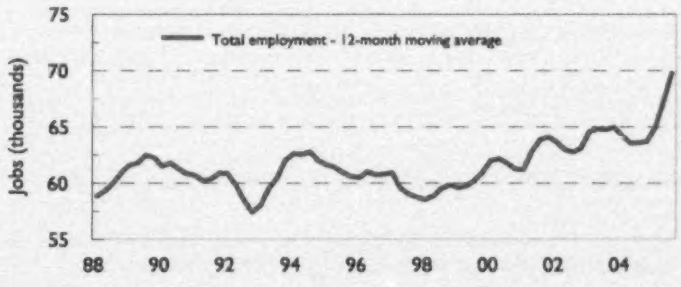
Slowdown in single-family home building in sight for 2005 and 2006

Freehold home construction should decline moderately in 2005 and 2006. Since the beginning of 2005, the number of existing properties for sale on the market has risen every quarter, thereby giving more choice to households wishing to buy a home, and this upward trend should continue throughout the coming year. In addition, the number of households is showing weak growth in the CMA, and the projections are rather limited in this regard for the years to come. Freehold housing starts should therefore reach 475 units by the end of 2005 and 430 units in 2006, for decreases of 8 per cent and 9 per cent, respectively.

Economic outlook

Since the beginning of the year, the Trois-Rivières area has posted steady employment growth. The area had shown signs of slowing down in 2004, a year that had marked the completion of two major projects, namely, the modernization of the Kruger Wayagamack mill and the refitting of the Le Rocher de Grand-Mère hydro-electric power plant. But then came some good news, as growth resumed in 2005, largely on account of a recovery in the service sector, and this trend should continue throughout the coming year. More and more, the area seems to want to free itself from its dependence on traditional manufacturing industries. The regional economy is exploring other avenues, particularly aeronautics, with corporations like Premier Aviation and Industries Aéronautiques Symphonie,

Employment on the Rise Again After Falling in 2004
Trois-Rivières Census Metropolitan Area



Source: Statistics Canada

which are bound to expand in the years to come.

The employment growth conditions that will prevail in 2005 and 2006 will create a favourable context for residential construction and should thereby limit the decline generated by the decrease in employment registered in 2004.

For young people, employment prospects for the coming months are not quite as bright. In fact, the unemployment rate for people aged from 15 to 24 years still remains high, and full-time employment is at low levels. Job creation is expected to be limited over the coming year among this age group. This situation will cause local rental market conditions to ease somewhat, and the vacancy rate should go back up slightly, as this age group is rather active in this market segment.

Single-family home sales expected to fall slightly in 2005 and 2006

The year 2005 will end with a small decrease in the number of single-family home sales in the Trois-Rivières CMA. It will be difficult to maintain the high rate of transactions observed in recent years, and sales are expected to decline by 3 per cent in 2005, in relation to 2004, when 816 homes had been sold. Despite this decrease, it should be noted that the existing home market will still remain very active in the Trois-Rivières CMA, as close to 790 single-family properties will change owners this year. In 2006, however, the slowdown should be slightly more pronounced, with sales expected to sustain a decrease in the order of 5 per cent, as 750 single-family properties will change hands.

The downward trend has already been felt since the beginning of the year, with a decrease in single-family home sales and a small rise in listings over

MLS® Sales
Trois-Rivières Census Metropolitan Area

Source: CIM (CMHC compilation)
f: CMHC forecast

2004. Slowly but surely, it would seem that the pent-up demand, which was looking to be released and which had persisted until just recently, is starting to stabilize, explaining the record levels recorded at the beginning of this decade. As well, the slightly greater supply of properties for sale should gradually help bring the market back toward a balanced situation and thereby drive up the number of sellers per buyer. This ratio, which represents a power relationship between sellers and buyers, has started climbing again since the beginning of the year and should reach 4.8 to 1 in 2005 and 5.7 to 1 in 2006. With this ratio staying below the balanced range of between 8 and 10 to 1, the market will remain favourable to sellers, which will further drive up prices.

The strong increase in single-family home prices in the Trois-Rivières CMA is certainly one of the main factors accounting for the expected slowdown on the resale market over the coming year. In fact, between the year 2000, when the average price of a single-detached home hovered around $76,000, and the beginning of 2005, when this price stood at about $105,000, prices soared by nearly 38 per cent. The combined effect of this accelerated growth in prices and the anticipation of a potential rise in mortgage rates will surely put a damper on the decision to buy a property for many households. As a result, the slower increase in prices, already under way since the beginning of the year, should continue throughout the coming year, even with the good performance of the Trois-Rivières economy. The average price of a single-detached home will reach $112,000 in 2005 (+7 per cent) and $116,500 in 2006 (+4 per cent).

Mortgage rates to rise moderately in 2005 and 2006

Since reaching a low point in 2004, mortgage rates have started a slow but steady rise. Despite this upward movement, the rates still remain close to historically low levels, and this trend should continue over the coming months. In fact, continued low inflation, a persistently strong Canadian dollar against the US dollar and a recent surge in oil prices will curb the rise in interest rates and mortgage rates in 2005 and 2006. For 2005, an increase of 25 to 35 basis points is forecast for short-term mortgage rates, while a decrease of the same order is expected for longer-term mortgage rates. In 2006, a rise of 25 to 50 basis points is anticipated. Consequently, the one-year, three-year and five-year mortgage rates should stay in the ranges of 4.50 per cent to 5.75 per cent, 5.25 per cent to 6.25 per cent and 5.50 per cent to 6.50 per cent, respectively.

FORECAST SUMMARY
Trois-Rivières Census Metropolitan Area
Fall-Winter 2005

	2003	2004	2005f	2006f	2004/2005	2005/2006
RESALE MARKET 1						
Freehold						
MLS® sales	799	816	790	750	-3%	-5%
Active MLS® listings	301	269	310	350	15 %	13 %
Sellers per buyer	4.5	4.0	4.8	5.7	--	--
Average MLS® price ($)						
Single-detached homes	92,400	104,800	112,000	116,500	7%	4%
NEW HOME MARKET						
Starts						
Total	635	874	775	615	-11%	-21%
Freehold	447	514	475	430	-8%	-9%
Condominium	3	0	0	5	--	--
Rental	185	360	300	180	-17%	-40%
RENTAL MARKET						
Vacancy rate (October) (%)	1.5	1.2	1.6	2.0	--	--
Average rent (2-bedroom) ($)	436	457	480	495	5%	3%
ECONOMIC OVERVIEW						
Mortgage rate - 1-year (%)	4.8	4.6	5.0	5.7	--	--
Mortgage rate - 5-year (%)	6.4	6.2	6.0	6.5	--	--
Annual change in employment	2,325	-1,275	1,000	800	--	--

1 The publication of MLS® data is made possible thanks to the

f: CMHC forecasts

Sources: CMHC and Statistics Canada

For more information about this publication, please contact our:

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